

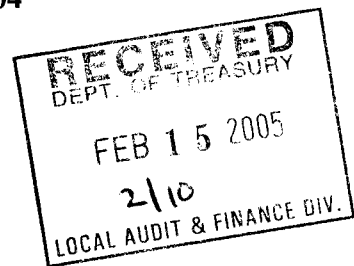
DOWAGIAC DISTRICT LIBRARY

14-8-010

DOWAGIAC, MICHIGAN

FINANCIAL STATEMENTS

Year ended September 30, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|---------------------------------|---|-----------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Dowagiac District Library | County Cass |
| Audit Date 9/30/04 | Opinion Date 11/17/04 | Date Accountant Report Submitted to State: 2/9/05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | ✓ |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|----------------------|-----------------------|
| Certified Public Accountant (Firm Name) Scarpone & Co., P.C., CPA's | | | |
| Street Address 20 N. Second St., P.O. Box 1146 | | City Niles | State Mi |
| Accountant Signature <i>James L. Scarpone, CPA</i> | | ZIP 49120 | Date 2/9/05 |

DOWAGIAC DISTRICT LIBRARY

DOWAGIAC, MICHIGAN

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DOWAGIAC DISTRICT LIBRARY

DOWAGIAC, MICHIGAN

DISTRICT LIBRARY BOARD

| | | |
|-----------------------|----------|----------------------|
| Judy Fusko | - | Chairman |
| Jackie Baker | - | Vice-Chairman |
| Jackie Goodman | - | Secretary |
| Ron Jones | - | Treasurer |
| Ann Greene | - | Member |
| Judy Lawrence | - | Member |
| Beverly Nemeth | - | Member |



SCARPONE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 17, 2004

Members of the Library Board
Dowagiac District Library
Dowagiac, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Dowagiac District Library as of and for the year ended September 30, 2004, as listed in foregoing table of contents. These basic financial statements are the responsibility of the management of Dowagiac District Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Dowagiac District Library as of September 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Scarpone & Co., P.C.

DOWAGIAC DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2004

The Library is reporting financial statements that meet the requirements of Governmental Accounting Standards Board Statement 34 (GASB No. 34). The two primary changes involved in meeting these requirements is the addition of a Management's Discussion and Analysis (MD&A) and the reporting of all capital assets and depreciation of such assets.

Library materials and other fixed assets, such as furniture, equipment and computers, were determined to have exceeded their estimated useful lives and therefore fully depreciated. Such assets are not reflected in the statement of net assets.

Overall Financial Position

The library's primary source of revenue is from property taxes and penal fines. For the year ended September 30, 2004, total tax collections were \$79,998 and total penal fines remitted totaled \$57,658, representing 47 percent and 34 percent of total revenues, respectively.

Salaries, related payroll taxes and fringe benefits are the largest overall expenditures of the Library. For the year ended September 30, 2004, these expenditures totaled \$73,356, representing 58% of the Library's total expenditures.

Contractual fees, which include janitorial services, janitorial supplies, recycling services and internet fees, were the second largest overall expenditures of the Library. These expenditures totaled \$10,352, representing approximately 8% of the Library's total expenditures.

LIBRARY BUDGET HIGHLIGHTS

Over the course of the fiscal year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in charges for services, salaries and fringe benefits, utilities, general fund administration, and library materials.

The revenue budget was revised upward for the year to reflect increased receipts for services collected during the year.

The salaries and fringe benefits budget was decreased due to the fact that the Library's Director position was budgeted for a full year. The Library Director wasn't hired until late in the fiscal year.

DOWAGIAC DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED

September 30, 2004

LIBRARY BUDGET HIGHLIGHTS - CONCLUDED

The utilities budget was increased to reflect escalating energy costs.

The general fund administration budget was decreased due to a mistake in initially over budgeting for these expenditures, which are comprised almost solely of monthly payroll processing charges.

Library materials budget was decreased due to a mistake in initially over budgeting for these expenditures.

NEXT YEAR'S MILLAGE RATES

On March 24, 2004, the voters of the district approved a permanent .75 mill tax. Due to the Headlee roll back amendment, a net .7379 mill tax will be in effect for the Winter, 2004 tax roll.

DOWAGIAC DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET
AND
STATEMENT OF NET ASSETS

September 30, 2004

| <u>ASSETS</u> | <u>General Fund</u> | <u>Adjustments (Note F)</u> | <u>Statement of Net Assets</u> |
|---|-------------------------|---------------------------------|------------------------------------|
| Cash and cash equivalents | \$ 48,031 | \$ - | \$ 48,031 |
| TOTAL ASSETS | \$ 48,031 | \$ - | \$ 48,031 |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 4,743 | \$ - | \$ 4,743 |
| TOTAL LIABILITIES | 4,743 | - | 4,743 |
| <u>FUND BALANCES / NET ASSETS</u> | | | |
| Fund Balances: | | | |
| Undesignated | 43,288 | (43,288) | - |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 48,031 | | |
| TOTAL NET ASSETS - UNRESTRICTED | | | \$ 43,288 |

See accompanying notes to basic financial statements.

DOWAGIAC DISTRICT LIBRARY

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

Year ended September 30, 2004

| <u>REVENUES</u> | <u>General Fund</u> | <u>Adjustments (Note F)</u> | <u>Statement of Net Assets</u> |
|---|-------------------------|---------------------------------|------------------------------------|
| Local taxes | \$ 79,998 | \$ - | \$ 79,998 |
| Penal fines | 57,658 | - | 57,658 |
| State-shared revenues | 12,149 | - | 12,149 |
| Charges for services | 11,799 | - | 11,799 |
| Contributions and gifts | 4,827 | - | 4,827 |
| Interest and dividends | 143 | - | 143 |
| Miscellaneous revenue | 2,918 | - | 2,918 |
| TOTAL REVENUES | 169,492 | - | 169,492 |
| <u>EXPENDITURES</u> | | | |
| Salaries | 65,119 | - | 65,119 |
| Payroll taxes | 4,761 | - | 4,761 |
| Health and dental | 1,794 | - | 1,794 |
| Life insurance | 159 | - | 159 |
| Retirement | 1,065 | - | 1,065 |
| Worker's compensation | 458 | - | 458 |
| Supplies | 2,683 | - | 2,683 |
| Contractual fees | 10,352 | - | 10,352 |
| Co-op membership | 3,517 | - | 3,517 |
| Telephone | 1,391 | - | 1,391 |
| Travel and training | 111 | - | 111 |
| Community promotion | 377 | - | 377 |
| Insurance | 5,337 | - | 5,337 |
| Utilities | 7,653 | - | 7,653 |
| Equipment maintenance | 2,844 | - | 2,844 |
| Building maintenance | 2,304 | - | 2,304 |
| Miscellaneous | 1,520 | - | 1,520 |
| Professional fees | 6,056 | - | 6,056 |
| General fund administration | 1,237 | - | 1,237 |
| Library materials | 6,929 | - | 6,929 |
| Capital outlay (under threshold) | 778 | - | 778 |
| TOTAL EXPENDITURES | 126,445 | - | 126,445 |
| REVENUES OVER EXPENDITURES/ CHANGE IN NET ASSETS | 43,047 | - | 43,047 |
| FUND BALANCE/NET ASSETS | | | |
| Beginning of Year | 241 | - | 241 |
| End of Year | \$ 43,288 | \$ - | \$ 43,288 |

See accompanying notes to basic financial statements.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Dowagiac District Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

REPORTING ENTITY:

Effective September 15, 2003, the Dowagiac District Library commenced official operation pursuant to the September 15, 2003 signed agreement. The Dowagiac District Library is comprised of all the territory which is currently located within the jurisdictional limits of the City of Dowagiac, Cass County; Wayne Township, Cass County; and the Dowagiac Union School District that is not part of the Cass District Library and the portion of the Dowagiac Union School District that is not part of the Eau Claire District Library.

The district of the Dowagiac District Library is located in the County of Cass and partly in the County of Van Buren, State of Michigan.

The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the districts approved a permanent .75 mill tax, which will begin with the tax levy effective December 1, 2004.

The Library is governed by an appointed board (the "Library Board") which consists of seven members. The City of Dowagiac provides two members; the Dowagiac Union School District provides three members; and Wayne Township provides two members.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Library has one fund, the General Fund, which is the Library's operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement and the modified accrual basis of accounting. Revenue is recognized as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are recorded at cost and include cash investments with an original maturity of three months or less.

CAPITAL ASSETS:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|------------|
| Furniture and equipment | 7-10 years |
|-------------------------|------------|

The minimum capitalization threshold is any item with a total cost greater than \$1,000.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2004

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at September 30, 2004:

| | |
|------------------------------------|------------------|
| Petty cash | \$ 100 |
| Deposits in financial institutions | 47,931 |
| | <u>\$ 48,031</u> |

The above deposits in financial institutions of \$47,931 were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$47,669. Of that amount, all was covered by federal depository insurance coverage.

NOTE C - CAPITAL ASSETS:

The Library's capital assets were deemed to have exceeded their estimated useful lives and therefore are fully depreciated. Such assets are not reflected in the Statement of Net Assets.

NOTE D - PENSION PLAN:

The Library has established a pension plan for its employees which is being administered through the Municipal Employees' Retirement System of Michigan (MERS).

For the year ended September 30, 2004, the employer contribution was approximately 3.5% of reported eligible wages and totaled \$1,065.

NOTE E- RISK MANAGEMENT:

The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended September 30, 2004.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED

For the year ended September 30, 2004

NOTE F - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's General Fund could differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily may result from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance.

For the year ended September 30, 2004, there were not any significant differences that required an adjustment between the fund financial statements and the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DOWAGIAC DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended September 30, 2004

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local taxes | \$ 81,450 | \$ 80,200 | \$ 79,998 | \$ (202) |
| Penal fines | 62,800 | 62,800 | 57,658 | (5,142) |
| State-shared revenues | 11,810 | 12,149 | 12,149 | - |
| Charges for services | 8,800 | 10,600 | 11,799 | 1,199 |
| Contributions and gifts | 4,000 | 4,000 | 4,827 | 827 |
| Interest and dividends | 200 | 140 | 143 | 3 |
| Miscellaneous | 4,100 | 4,100 | 2,918 | (1,182) |
| | <u>173,160</u> | <u>173,989</u> | <u>169,492</u> | <u>(4,497)</u> |
| EXPENDITURES: | | | | |
| Salaries | 80,334 | 60,100 | 65,119 | (5,019) |
| Payroll taxes | 6,145 | 4,600 | 4,761 | (161) |
| Health and dental | 17,800 | 7,100 | 1,794 | 5,306 |
| Life insurance | 180 | 170 | 159 | 11 |
| Retirement | - | 2,100 | 1,065 | 1,035 |
| Worker's compensation | 150 | 500 | 458 | 42 |
| Supplies | 3,900 | 2,900 | 2,683 | 217 |
| Contractual fees | 10,843 | 10,700 | 10,352 | 348 |
| Co-op membership | 2,950 | 3,333 | 3,517 | (184) |
| Telephone | 2,500 | 1,500 | 1,391 | 109 |
| Travel and training | 400 | 100 | 111 | (11) |
| Community promotion | 500 | 500 | 377 | 123 |
| Insurance | 3,700 | 3,647 | 5,337 | (1,690) |
| Utilities | 7,500 | 8,700 | 7,653 | 1,047 |
| Equipment maintenance | 3,000 | 3,500 | 2,844 | 656 |
| Building maintenance | 3,500 | 1,000 | 2,304 | (1,304) |
| Miscellaneous | 800 | 1,500 | 1,520 | (20) |
| Professional fees | 4,000 | 6,100 | 6,056 | 44 |
| General fund administration | 5,000 | 1,100 | 1,237 | (137) |
| Memorials | 2,500 | - | - | - |
| Library materials | 13,000 | 6,000 | 6,929 | (929) |
| Capital outlay (under threshold) | - | - | 778 | (778) |
| | <u>168,702</u> | <u>125,150</u> | <u>126,445</u> | <u>(1,295)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 4,458 | 48,839 | 43,047 | (5,792) |
| FUND BALANCE, BEGINNING OF YEAR | 241 | 241 | 241 | - |
| FUND BALANCE, END OF YEAR | \$ 4,699 | \$ 49,080 | \$ 43,288 | \$ (5,792) |

See accompanying notes to basic financial statements.